IN THE

Supreme Court of the United States

NO. ~~[illegible]~~ 76

OCTOBER TERM, 1954

THE COLD METAL PROCESS COMPANY and THE UNION NATIONAL BANK OF YOUNGSTOWN, OHIO, TRUSTEE, Petitioners,

v.

UNITED ENGINEERING & FOUNDRY COMPANY, Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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To the Honorable Chief Justice and the Associate Justices of the Supreme Court of the United States:

Petitioners pray that a writ of *certiorari* issue to review the order of the United States Court of Appeals for the Third Circuit, entered on April 21, 1955, in the above-entitled case, denying petitioners' motion to dismiss respondent's appeal for lack of jurisdiction.

Opinions Below.

The opinion of the District Court is unreported and is printed in Appendix B hereto, *infra*, pages 16-29. The

opinion of the United States Court of Appeals is not yet reported and is printed in Appendix B hereto, *infra*, page 34.

Jurisdiction.

The order of the Court of Appeals was entered on April 21, 1955 (Appendix B, *infra*, p. 35). The jurisdiction of this Court is invoked under 28 U.S.C., Section 1254 (1).

Questions Presented.

The following questions are presented:

1. When more than one claim for relief is presented in an action, does the entry of an order by the District Court, granting a money judgment on one claim but which leaves completely unadjudicated a counterclaim arising out of the same transaction, with an express determination that there is no just reason for delay and directing entry of judgment pursuant to Rule 54 (b) of the Federal Rules of Civil Procedure, automatically and conclusively create a final appealable order conferring immediate jurisdiction in the Court of Appeals?

2. If Rule 54 (b) is construed so as to confer appellate jurisdiction whenever a District Court applies the formula of the Rule, where the Court of Appeals would not have had jurisdiction prior to the enactment of amended Rule 54 (b), does the Rule go beyond the rule-making powers of the United States Supreme Court in that it expands the jurisdiction of appellate Courts fixed by Section 1291 of Title 28 of the United States Code?

3. Does an order in an action involving a claim and a counterclaim arising out of the same transaction, which

directs the entry of a money judgment on the claim but leaves completely unadjudicated a counterclaim seeking damages and a setoff, create a final decision from which an appeal lies to the Court of Appeals merely because, pursuant to Rule 54 (b), it recites that "there is no just reason for delay" and directs the entry of judgment?

Rule and Statutes Involved.

The rule and statutory provisions involved are amended Rule 54 (b) of the Federal Rules of Civil Procedure, Section 1291, Title 28, United States Code, "Judiciary and Judicial Procedure," and Sections 2071 and 2072, Title 28, United States Code, "Judiciary and Judicial Procedure." The statutes and amended Rule 54 (b) are printed in Appendix A, *infra,* pp. 13-15. Rule 54 (b) reads as follows:

> "When more than one claim for relief is presented in an action, whether as a claim, counterclaim, cross-claim or third-party claim, the court may direct the entry of a final judgment upon one or more but less than all of the claims only upon an express determination that there is no just reason for delay and upon an express direction for the entry of judgment. In the absence of such determination and direction, any order or other form of decision, however designated, which adjudicates less than all the claims shall not terminate the action as to any of the claims, and the order or other form of decision is subject to revision at any time before the entry of judgment adjudicating all the claims."

Statement.

The Cold Metal Process Company (hereinafter referred to as "Cold Metal"), on November 17, 1934, filed its complaint seeking specific enforcement of an agreement of June 20, 1927 against respondent.* Under that agreement, respondent was entitled to receive certain license rights, under what later became United States Letters Patent No. 1,779,195, and Cold Metal was to receive royalty payments for those rights. After final hearing, the District Court granted specific performance, holding Cold Metal entitled to recover against respondent and ordering an accounting to determine the amount to be paid by respondent. The District Court's decree in this respect was affirmed on appeal (107 F. 2d 27). Thereafter, an accounting was had before a Master. While the action was pending before the Master, respondent was granted leave by both the District Court and the Court of Appeals to file a counterclaim seeking damages, and a setoff against any judgment entered in favor of petitioners. That counterclaim remains completely unadjudicated.

On May 28, 1954, the report of the Master on petitioners' claim was filed, in which he awarded petitioners the sum of $387,650.00. Objections were filed to that report. On January 19, 1955, the District Court filed its opinion (Appendix B, *infra*, pp. 16-29) and entered an order (Appendix B, *infra*, p. 30) confirming the

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* The jurisdiction of the District Court in this case was based on diversity of citizenship and the amount in controversy pursuant to Sec. 24 of the Judicial Code (now Title 28 United States Code, Section 1332).

Master's report and directing the Clerk to enter judgment in favor of petitioners in the sum of $387,650.00.

Respondent, on February 7, 1955, appealed to the Court of Appeals and petitioners moved to dismiss that appeal on the ground that it was not a final appealable decision in view of the counterclaim seeking a setoff and in view of the fact that it did not contain the express determinations required by Rule 54 (b). On March 21, 1955, the Court of Appeals held the judgment was not a final decision and dismissed respondent's appeal without prejudice to the right of respondent to apply to the District Court for a new order (Appendix B, *infra,* p. 31). Thereafter, the order of January 19, 1955 was vacated and an amended order was entered on Court is printed in Appendix B, *infra,* pages 32-33. That amended order is substantially identical with the original order of January 19, 1955, except that it includes an express determination under Rule 54 (b) that "there is no just reason for delay." It does not in any way attempt to adjudicate respondent's counterclaim.

Respondent, on March 31, 1955, appealed from the order and judgment of March 30, 1955. Petitioners moved to dismiss that appeal on the ground that the amended order and judgment from which the appeal had been taken do not constitute a final decision under Title 28, United States Code, Section 1291, since there has been no adjudication of respondent's counterclaim seeking an accounting, damages and a setoff on the basis of facts arising out of the same transaction as that on which the complaint was based. On April 21, 1955 (Ap-

pendix B, *infra*, p. 35), the Court of Appeals entered an order denying the motion and filed an opinion (Appendix B, *infra*, p. 34), holding that the determination made pursuant to Rule 54 (b) "is the very kind of thing Rule 54 (b) was written to provide for," thus holding, in accord with its earlier decision in *Bendix Aviation Corp.* v. *Glass*, (3 Cir., 1952) 195 F. 2d 267, that the determination of the District Court as to finality under Rule 54 (b) conferred jurisdiction upon the Court of Appeals, irrespective of the presence of the unadjudicated counterclaim arising out of the same transaction.

Reasons for Granting the Writ.

1. THE CONFLICT AMONG AND WITHIN THE CIRCUITS.

The decision of the Court below in this case is in direct conflict with the decision of the Court of Appeals for the Second Circuit in *Flegenheimer* v. *General Mills, Inc.*, (2 Cir., 1951) 191 F. 2d 237, and the Court of Appeals for the District of Columbia Circuit in *Gold Seal Co.* v. *Weeks*, (C.A. D.C., 1954) 209 F. 2d 802. It is in accord with the earlier decision of the Court of Appeals for the Third Circuit in *Bendix Aviation Corp.* v. *Glass*, (3 Cir., 1952) 195 F. 2d 267. It is in accord with the decision of the Court of Appeals for the First Circuit in *Boston Medical Supply Co.* v. *Lea & Febiger*, (1 Cir., 1952) 195 F. 2d 853. The decision of the Court below is also in accord with the decision of the Court of Appeals for the Seventh Circuit in *Bruce A. Mackey et al.* v. *Sears, Roebuck & Co.*, (7 Cir., 1955) 218 F. 2d 295, in respect of which this Court, No. 617, October Term, 1954, on March 28, 1955, granted *certiorari* on a petition

raising questions substantially identical with the first two questions presented here.

In the Second Circuit, there is a conflict between two panels of the Court, which has been expressed by Judges Learned Hand, Clark and Frank in three different cases: *Pabellon* v. *Grace Line, Inc.*, (2 Cir., 1951) 191 F. 2d 169; *Flegenheimer v. General Mills, Inc.*, (2 Cir., 1951) 191 F. 2d 237; *Lopinsky v. Hertz Drive-Ur-Self Systems, Inc. et al.*, (2 Cir., 1951) 194 F. 2d 422.

In the Third Circuit, a panel of that Court, in the *Bendix* case, *supra*, first decided the question in accordance with the views of the majority in the Second Circuit, but that opinion was withdrawn and the Court, sitting *en banc*, reversed itself with two judges disagreeing on the point involved in a special concurring opinion.*

Both the Court of Appeals for the Second Circuit (*Flegenheimer* v. *General Mills*, 191 F. 2d 237, 241), and the Court of Appeals for the Seventh Circuit (*Bruce A. Mackey et al.* v. *Sears, Roebuck & Co.*, 218 F. 2d 295) indicated the necessity for this Court to decide the important questions presented in those cases, which are

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* *Bendix Aviation Corp.* v. *Glass*, (3 Cir., 1952) 195 F. 2d 267; Moore's Federal Practice, page 222, footnote 16; As to the *Bendix* case, Moore states:

> "On the first hearing, the Third Circuit held that the order in question lacks finality for purpose of appeal: it was not final under prior law; and amended 54 (b) should not be construed as authorizing a district court by certificate to make an order final that would not have been under prior law. * * * This opinion was withdrawn and a rehearing held en banc. The withdrawn opinion now appears in substance as the concurring opinion of Judges Hastie and Kalodner."

the same as those presented here, and, as stated, this Court granted *certiorari* in the *Sears, Roebuck* case. Like action should be taken by this Court in this case.

The position taken by the Court below in this case is that, in a multiple claim action, when the District Court enters an order as to one claim only and invokes the talismanic language prescribed by Rule 54 (b), a final appealable order is created conferring immediate appellate jurisdiction, irrespective of the fact that, under the historic practice prevailing prior to the Rules of Civil Procedure and also under original Rule 54 (b), the decision of the District Court would not have been considered as a final decision.*

The opposing view taken by the Second and District of Columbia Circuits, by the Third Circuit on its first hearing in the *Bendix* case, and by Circuit Judges Hastie and Kalodner after rehearing in the *Bendix* case, is that the finding of a District Court Judge cannot be given

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* Thus the authorities uniformly held that, in cases involving a claim and a counterclaim arising out of the same transaction, no appeal would lie from a judgment disposing only of the claim and leaving the counterclaim unadjudicated: *Bowker v. United States,* (1902) 186 U. S. 135; *Winters v. Ethell,* (1889) 132 U. S. 207, 210; *General Electric Co. et al. v. Marvel Rare Metals Co. et al.,* (1932) 287 U. S. 430, 432; *Nachtman v. Crucible Steel Co. of America,* (3 Cir., 1948) 165 F. 2d 997; *Audi Vision Inc. et al. v. RCA Mfg. Co., Inc.,* (2 Cir., 1943) 136 F. 2d 621; *Eastern Transportation Co. v. United States,* (2 Cir., 1947) 159 F. 2d 349; *Petrol Corporation v. Petroleum Heat & Power Co., Inc. et al.,* (2 Cir., 1947) 162 F. 2d 327; *Toomey et al. v. Toomey et al.,* (C.A. D.C., 1945) 149 F. 2d 19; *Libbey-Owens-Ford Glass Co. v. Sylvania Industrial Corporation et al.,* (2 Cir., 1946) 154 F. 2d 814.

this conclusive effect and that the Courts of Appeals must make their own independent determination in the light of the decided cases as to whether a final order has, in fact, been entered, and as to whether they, therefore, do or do not have appellate jurisdiction. Under this view, it is argued that, had the Supreme Court intended the "strange anomaly" of having District Court Judges determine the jurisdiction of the Court of Appeals, it would have expressed itself directly and would not have relied upon an oblique construction of the language contained in a rule of District Court procedure. It is argued further that, if the Supreme Court did intend this result, then the Supreme Court may well have exceeded its rule-making power by extending the boundaries of appellate jurisdiction laid down in Section 1291 of Title 28 of the United States Code.

2. THE IMPORTANCE OF THE QUESTIONS INVOLVED.

The best evidence of the importance of the jurisdictional issue raised in this case is the fact that this Court has already granted *certiorari* in the *Sears, Roebuck & Co.* case (No. 617, October Term, 1954). This Court evidently recognized the existence of the serious conflict which has developed among and within the Courts of Appeals in respect of the issues raised here. A resolution of the issues is of paramount importance in determining at what point there is appellate jurisdiction to review orders of the District Court. Of equal or greater importance is the possibility that the interpretation given Rule 54 (b) by the Court below in this case and in the *Bendix* case (*supra*, p. 10) may be one which renders the rule invalid as expanding the boundaries of appel-

late jurisdiction set by Congress in 28 U.S.C., Section 1291. Since the conflict has developed over the proper interpretation to be given to a rule promulgated by this Court, it is peculiarly within the province of this Court to elucidate what it intended to be the effect of the rule.

3. THE DECISION OF THE COURT BELOW IS BELIEVED TO BE ERRONEOUS.

In view of the fact that *certiorari* has already been granted by this Court in the *Sears, Roebuck* case, and in view of the detailed opinions written by distinguished judges, stating their reasons for believing the interpretation of Rule 54(b) followed by the Court below in this case is erroneous, it would be superfluous to attempt to add anything at this time. In this connection, see Judge Hastie's opinion in *Bendix Aviation Corp. v. Glass,* 195 F. 2d 267, 277; Judge Learned Hand's opinion in *Flegenheimer v. General Mills, Inc.,* 191 F. 2d 237; and Judge Frank's opinion in *Pabellon v. Grace Line, Inc.,* 191 F. 2d 169, 176. We submit that the views expressed by these judges are correct and that the decision of the Court below is erroneous.

4. THE INTERLOCUTORY NATURE OF THE ORDER ENTERED BY THE COURT OF APPEALS HAS LITTLE OR NO BEARING UPON THE GRANTING OF THIS PETITION.

Under the *certiorari* jurisdiction of this Court to grant petitions either "before or after rendition of judgment or decree" (28 U.S.C., Section 1254 (1)), this petition can be and should be granted, as is evidenced by the granting of the petition in the *Sears, Roebuck* case. This Court has not hesitated in the past to grant petitions from interlocutory decrees or orders where the importance of the question in conflict among the Courts of Appeals has warranted it.* In addition to the *Sears, Roebuck* case, this Court granted *certiorari* to review interlocutory orders involving the construction or validity of certain rules of the Federal Rules of Civil Procedure in *Hickman v. Taylor et al.*, (1947) 329 U.S. 495 and in *Sibbach v. Wilson & Co., Inc.*, (1941) 312 U.S. 1.

Of great importance is the fact that, if this petition is not entertained at this time, it will almost certainly not come up again. If the question of appellate jurisdiction under Rule 54 is ever going to be resolved by the Supreme Court, it must be brought before it precisely at the stage at which these proceedings now are. Unless this Court resolves the issues raised in this petition, the confusion and conflict over the proper scope of Rule 54(b) can only get worse.

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* *American Construction Company v. Jacksonville T. & K. W. Railway Company*, (1893) 148 U.S. 372; *Land, et al. v. Dollar, et al.*, (1947) 330 U.S. 731; *Stack et al. v. Boyle*, (1951) 342 U.S. 1.

Conclusion.

It is respectfully submitted that, in view of the importance of the questions raised here with respect to Federal appellate jurisdiction, in view of the serious conflicts within and between the Courts of Appeals, and in view of the pendency of the *Sears, Roebuck* case before this Court involving like questions, this petition should be granted.

Respectfully submitted,

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APPENDIX A.

Statutes and Rule Cited.

RULE 54 (b) OF THE FEDERAL RULES OF CIVIL PROCEDURE

Rule 54. Judgments; Costs.

(b) *Judgment Upon Multiple Claims.* When more than one claim for relief is presented in an action, whether as a claim, counterclaim, cross-claim, or third-party claim, the court may direct the entry of a final judgment upon one or more but less than all of the claims only upon an express determination that there is no just reason for delay and upon an express direction for the entry of judgment. In the absence of such determination and direction, any order or other form of decision, however designated, which adjudicates less than all the claims shall not terminate the action as to any of the claims, and the order or other form of decision is subject to revision at any time before the entry of judgment adjudicating all the claims.

28 U.S.C., SECTION 1254 (1)

§ 1254. Courts of Appeals; certiorari; appeal; certified questions.

Cases in the courts of appeals may be reviewed by the Supreme Court by the following methods:

(1) By writ of certiorari granted upon the petition of any party to any civil or criminal case, before or after rendition of judgment or decree;

Appendix A.

28 U.S.C., SECTION 1291

§ 1291. Final decisions of district courts.

The courts of appeals shall have jurisdiction of appeals from all final decisions of the district courts of the United States, the District Court for the Territory of Alaska, the United States District Court for the District of the Canal Zone, and the District Court of the Virgin Islands, except where a direct review may be had in the Supreme Court. June 25, 1948, c. 646, 62 Stat. 929.

JUDICIAL CODE, SECTION 24

[Old 28 U.S.C.A., Sec. 41 (1)]

Original jurisdiction. The district courts shall have original jurisdiction as follows:

(1) *United States as plaintiff; civil suits at common law or in equity.*—First. Of all suits of a civil nature, at common law or in equity, brought by the United States, or by any officer thereof authorized by law to sue, or between citizens of the same State claiming lands under grants from different States; or, where the matter in controversy exceeds, exclusive of interest and costs, the sum or value of $3,000 and (a) arises under the Constitution or laws of the United States, or treaties made, or which shall be made, under their authority, or (b) is between citizens of different States, * * *.

28 U.S.C., SECTION 2071

§ 2071. Rule-making power generally.

The Supreme Court and all courts established by Act of Congress may from time to time prescribe rules for the conduct of their business. Such rules shall be

consistent with Acts of Congress and rules of practice and procedure prescribed by the Supreme Court. June 25, 1948, c. 646, 62 Stat. 961, amended May 24, 1949, c. 139, § 102, 63 Stat. 104.

28 U.S.C., SECTION 2072

§ 2072. Rules of civil procedure for district courts.

The Supreme Court shall have the power to prescribe, by general rules, the forms of process, writs, pleadings, and motions, and the practice and procedure of the district courts of the United States and of the District Court for the Territory of Alaska in civil actions.

Such rules shall not abridge, enlarge or modify any substantive right and shall preserve the right of trial by jury as at common law and as declared by the Seventh Amendment to the Constitution.

Such rules shall not take effect until they have been reported to Congress by the Chief Justice at the beginning of a regular session and until after the close of such session.

All laws in conflict with such rules shall be of no further force or effect after such rules have taken effect. Nothing in this title anything therein to the contrary notwithstanding, shall in any way limit, supersede, or repeal any such rules heretofore prescribed by the Supreme Court. June 25, 1948, c. 646, 62 Stat. 961, amended May 24, 1949, c. 139, § 103, 63 Stat. 104; July 18, 1949, c. 343, § 2, 63 Stat. 446.

APPENDIX B

Opinions and Orders Below.

OPINION OF THE DISTRICT COURT, DATED JANUARY 19, 1955

WILLSON, D. J.

Both parties have filed objections to the report of a Special Master appointed by the court to ascertain what payment is due from defendant to plaintiffs. Plaintiffs are Cold Metal Process Company and The Union National Bank of Youngstown, Ohio, Trustee, herein to be called "Cold Metal." Defendant is the United Engineering and Foundry Company, herein to be called "United." A written contract executed between these parties, dated June 30, 1927, is the basis for this twenty year legal battle. The decision of the Court of Appeals of this Circuit, 107 F. 2d 27, held that the contract of June 30, 1927 is a valid and subsisting agreement between the parties and pursuant to the mandate of the Court, dated June 15, 1939, Judge McVicar appointed J. Garfield Houston,

> "* * * a Master to ascertain, state and report to this Court the total amount of money due to the plaintiff from the defendant under the 1927 agreement up to the date hereof, and the basis of payment on mills coming under said contract which may hereafter be made and sold by the defendant."

The decree also required:

> "5. That defendant shall pay to the plaintiff such amount as may be due to the plaintiff from the defendant under the 1927 agreement on mills made and sold by the defendant prior to the date hereof.

"6. That a determination be made of the basis and amount of payment to be made by the defendant to the plaintiff on mills made and sold by the defendant under and pursuant to the 1927 agreement subsequent to the date hereof."

The Special Master was appointed in July of 1943. He held extensive hearings. His printed report was filed May 28, 1954. He held United indebted to Cold Metal for royalties on 91 mills listed in Appendix "B" to his report in the total amount of $387,650.00. He further held that Cold Metal is not entitled to an allowance of interest on the aforesaid indebtedness prior to the filing of the Master's report. Cold Metal lists forty-five objections to the report of the Special Master and United lists some twenty-three objections to the report.

The history of the present case is found in the Opinion of Judge Buffington, reported 107 F. 2d 27. The Master's printed report contains some one hundred sixty-eight pages, comprising one hundred and one Findings of Fact and twenty-four Conclusions of Law. The report is comprehensive in all respects. The various issues raised by the parties are fully explored and discussed in detail. Each of the parties has filed briefs in support of their objections to the report of the Special Master, and each of the parties has filed a reply brief in answer to the main brief of the opposing party. Oral argument has been held on the objections so that, under Rule 53, Rules of Civil Procedure, it is the duty of this Court to adopt the report of the Special Master, or it may be modified, or it may be rejected in whole or in part, or further evidence may be received, or it may be recommitted to the Special Master with instructions. As this is an action

tried without a jury, I am required to accept the Special Master's findings of fact unless clearly erroneous.

The agreement of June 20, 1927 was held by this Court, the case being then before Judge McVicar, and by the Court of Appeals, to be a "valid and subsisting contract" for an exclusive license to United from Cold Metal under Patent 1,779,195. Judge McVicar's decision was filed January 4, 1938, but was apparently not sent to the publisher until nearly ten years later, and is found in 83 F. Supp. 914. In the opinion of the Court of Appeals, 107 F. 2d 27, Judge Buffington says, on page 32:

> "The agreement of 1927 is, as Judge McVicar found, 'a valid and subsisting contract' for a license. This 'contract' has been partly performed and equity requires that it be completed by supplying the amount which United must pay for the license in accordance with the intention of the parties. [Citing cases] The evidence shows what that intention was, for the parties had an 'understanding' as to what the royalties would be and what that understanding was can readily be ascertained from the evidence by the master appointed or to be appointed by the District Court."

This case was first heard by this present Court at argument on the objections to the report of the Special Master. It seems that the decision, 107 F. 2d 27, was intended by the Court of Appeals as a final one which defined the rights of the parties, leaving merely the computation of the amount due to be determined by the Special Master. However, the decision has not been accepted by the litigants as final or as a decision determining the issues between them.

Appendix B.

The present issue is, first, the rate of the royalty required to be paid by United to Cold Metal under the 1927 agreement. Judge McVicar held in this case, 83 F. Supp. 914, that plaintiff is entitled to a decree providing for a determination of the amount due from defendant under the contract to the date of his decision, January 4, 1938, and the basis of payment to be made thereafter. However, he said on a vital point that the exchange of letters in January, 1928, between the parties did not constitute a contract agreement as to the royalty rate. Without limiting the findings to the January, 1928 exchange of letters, the Court of Appeals said that "the evidence shows what that intention was, for the parties had an 'understanding' as to what the royalties would be and what that understanding was can readily be ascertained from the evidence. * * *"

As the parties did not agree on an interpretation of the decision of the Court of Appeals, 107 F. 2d 27, the proceedings before the Special Master were bitterly fought from beginning to end. The Special Master held that the royalty rate to be paid by United was based on the January 1928 letters. Cold Metal says that this ruling is error and contrary to this Court's rulings and to the decree on mandate and should be reversed and the case sent back to the Master to receive evidence in regard to the value of the rights obtained by United under the 1927 agreement. On the facts found by him, the Master's first nine Conclusions of Law relate to the royalty to be paid by United to Cold Metal under the 1927 contract. The case was before the Special Master for more than ten years. This particular case has been before the Court of Appeals on three occasions. It has been referred to in

many other decisions of the various courts. What Judge McVicar held and what the Court of Appeals held in this case has been referred to by Chief Judge Biggs in litigation between the parties, 190 F. 2d 217. On what appears to this Court as being ample evidence, and upon careful consideration of the various issues, the Special Master found that the exchange of letters of January, 1928 fixed the royalty rate. Under the decisions of this Court, as written by Judge McVicar, and under the decision of the Court of Appeals, 107 F. 2d 27, I am in full agreement with the Special Master on this phase of the case.

United has heretofore contended that the royalty rate is shown in the January, 1928 letters, but before the Master took the position that by reason of failure of consideration or by reason of failure of performance on the part of Cold Metal it has no obligation to pay royalties in any amount. Much of the proceedings before the Master are concerned with this defense asserted by United. This defense is strongly urged upon the Court by United as it was rejected by the Special Master. When United's defense of failure of consideration was first raised before the Master, he first held that this defense was not available to United because such a defense appeared to be inconsistent with a decree for specific performance of the 1927 contract. Cold Metal contended before the Special Master that if this defense was raised in Equity 2991 it was not sustained, and therefore the matter is res adjudicata. The Master says that the defense of failure of performance was not pressed either in the District Court or the Court of Appeals. In his discussion he says the two main issues which were argued were whether the 1927 contract should be rescinded and whether the parties had reached an understanding as

to the royalty rate. The Special Master sets forth the facts on which United relies to constitute failure of consideration under the following captions:

(a) The failure of Cold Metal to grant a license when it obtained patent 195.

(b) Cold Metal's filing of Equity 2506 charging United as an infringer under patent 195.

(c) Cold Metal's enjoining of United from bringing suits against infringers of patent 195.

(d) Cold Metal's supplemental bill in Equity 2991 praying for the rescission of the 1927 contract.

(e) Statements of counsel for Cold Metal and its officers that United did not have a license under the 1927 contract.

(f) Filing of suits for infringement against purchasers of mills from United.

(g) Cold Metal's licensing of users of mills under patent 195.

The Special Master carefully reviewed the evidence to ascertain whether Cold Metal failed to perform its obligations under the 1927 contract, and whether any failure, if there was a failure, was justified by the conduct of United; and also if there was a failure to perform on the part of Cold Metal, whether it was of so material a nature as to wholly defeat Cold Metal's claim for royalties. Again, it is the opinion of this Court that the Special Master carefully and minutely dealt with this subject. He gave this defense his full consideration. His Findings of Fact on this phase of the case cannot be said to be clearly erroneous. This Court has serious doubt that the defense of failure of consideration was available to United under the decisions of this Court and of the Court

of Appeals. In this case, Judge McVicar has referred to the original pleadings. It appears that one of the issues in this case, No. 2991, has always been a determination of the amount due plaintiff under the 1927 agreement. The failure to perform on the part of United or failure of consideration under the contract are defenses against a claim for royalties asserted by Cold Metal in this case. It seems to this Court, as Cold Metal contends, that the judgment of specific performance in this case stands as a bar, not only as to every matter which was offered and received to defeat Cold Metal's claim for specific performance, but as to any other admissible matter which might have been offered for that purpose. See *Cromwell v. County of Sac.*, 94 U.S. 351. However, the Special Master has made Findings of Fact and Conclusions of Law with respect to the defense now under consideration and has concluded that this defense is not to defeat the royalty payments. Therefore, as this defense of United on its merits has been rejected by the Special Master, this Court is not now required to rule as to whether the defense was available to United in the first instance.

United contends, and Cold Metal denies, that payment of royalties was to be postponed until Patent 195 had been held valid. The Master found (Findings 96 and 97) that subsequent to the execution of the contract of 1927, the parties agreed that the royalty payments were to be postponed until Patent 195 had been litigated and held valid and further, the Master found that Patent 195 was litigated and held valid in Equity 2506 in this Court, 3 F. Supp. 120, decided January 9, 1933. Again, the Master's findings with respect to this issue do not appear to be clearly erroneous and must therefore be accepted.

Appendix B.

One of the issues before the Special Master was whether United was liable for royalties on mills sold by it to purchasers outside the United States. On this subject the Master's Findings are Nos. 98 and 99 and the Conclusion is No. 16, in which he held United not liable for royalties on thirty-two mills which were sold and delivered to customers beyond the territorial limits of the United States. This issue involves the construction of the 1927 contract. The Special Master refers to the scope of the license to be granted under the agreement and to the extent of the rights granted by a patent as provided in revised Statute Section 4884, formerly 35 U.S.C.A. 40, which was then in effect. The special Master reviews the contract and the literal wording thereof, but concludes, however, that having regard to the rules of Patent Law the express language cannot be taken literally. The Patent statute gives no protection to a patentee outside of the United States and its territories. It is obvious that anyone could with impunity make, use and sell the invention covered by Patent 195 outside the United States. In this connection, the Master refers to *Hewitt v. American Telephone and Telegraph Company,* 272 Fed. 194, which holds that when a licensee is sued for royalties and the question is whether the product of the licensee comes under the claims of the patent involved, the test of liability is whether the licensee would be an infringer under the rules of patent law if he held no license. The Master holds that the liability of United with respect to the mills sold to foreign purchasers should be determined in accordance with the rules of Patent Law, which would be applied in determining whether a non-licensee was an infringer if he acted in all respects as United did. The Special Master classifies the

foreign mills into two groups. The one group comprising seventeen mills for which the bearings for the backing rolls were made for United in Sweden and shipped direct from Sweden to the foreign purchasers with all other parts of the mills having been made by or for United in the United States, except as to mills numbers 104 and 123, in which the bearings for the work rolls were made in Sweden and were shipped direct to Japan. One mill, number 116, sold to a British purchaser, Cold Metal concedes that United is not liable for, as all the bearings were supplied by the purchaser.

An examination of the record, Report of the Master and of the briefs of counsel indicate that the Master has given careful consideration to the issues raised with respect to the foreign mills. His findings of fact do not appear to be clearly erroneous and therefore must be accepted. His Conclusion of Law No. 16 is correct.

To briefly summarize what has been discussed, a reference to the Opinion in 107 F. 2d 27 is again helpful, where it is said:

> "This 'contract' has been partly performed and equity requires that it be completed by supplying the amount which United must pay for the license in accordance with the intention of the parties."

Also, the Court of Appeals, in its decision of June 8, 1951, 190 F. 2d 217, said, with reference to the royalty here discussed, page 219:

> "In substance it had been determined that United had an exclusive license from Cold Metal to make, use and sell the four-high mills covered by the 1927 agreement and that United should pay royalties to Cold Metal in an amount to be determined by the Court below."

Appendix B.

The parties to this litigation do not reach the same result in an interpretation of the decisions of Judge McVicar and of the Court of Appeals. For instance, Cold Metal repeatedly refers to the phrase "value of the license" used by Judge McVicar in contending that the Special Master was required to receive evidence to determine the basis upon which payments should be made by United. Cold Metal asserts that the Special Master completely misconceived the source of his authority and failed to follow this Court's decree from which his authority emanated. Cold Metal says that the Court of Appeals clearly did not reverse this Court's findings that the parties did not consider that the letters relied upon by defendant constituted an agreement as to the royalty rate, and therefore it was improper for the Special Master to adopt a construction of the Court of Appeals' Opinion directly in conflict with this Court's holding. Cold Metal still contends that United was to pay it the true value of the rights granted under the 1927 agreement. It says that Judge McVicar, in his decision of February 18, 1942, 43 F. Supp. 375, held that the plaintiff was entitled to an accounting for the "value of the license," and that therefore the Special Master was in error in adopting the January, 1928 letters as the basis for the amount to be paid under the agreement. In that Opinion, which is part of the law of this case, Judge McVicar also said, page 376:

> "The decree of this Court in this case, as affirmed by the Circuit Court of Appeals, is final and cannot now be modified or changed."

Certainly, to the extent that Judge McVicar held that evidence must be received to fix the "value of the license," he was overruled by the Court of Appeals in 107 F. 2d 27,

which, as I read the decision, holds that the parties had reached an agreement as to the rate of royalty to be paid, and that what the understanding was that the parties had reached, was to be ascertained from the evidence already in the case. Under the decisions in this case of this Court and of the Court of Appeals, the Special Master then clearly interpreted the decisions and correctly applied the law to the facts. In writing this decision there has been no attempt to discuss in detail each and every contention of the parties. The Findings and Conclusions of the Special Master on the main issues, that is the rate of royalty and defense of failure of consideration, are in accord with the views of this Court.

United also contends that receipt of payments by Cold Metal from purchasers of United mills discharged United of liability for royalty on such mills. On this issue the Findings of Fact are Nos. 83 to 94, inclusive, and the Conclusion is No. 17. In this connection it is to be recalled that the 1927 agreement did not give United rights co-extensive with the scope of Patent 1,779,195. Patent 1,744,016 has not been involved in this litigation and is not a subject of the 1927 agreement. The Special Master found that Cold Metal, by various license agreements, granted rights under various patents owned by Cold Metal, including Patents 195 and 016. Furthermore, under the Cold Metal license agreements, royalties were collected for the use of mills purchased from mill builders other than United. The findings of the Special Master are not clearly erroneous and are, therefore, adopted, and it is believed that his Conclusion of Law No. 17 is correct.

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Cold Metal claims royalties on mills sold prior to October 21, 1930. The Special Master concluded that United's license rights under the 1927 agreement commenced October 21, 1930, the date when Patent 195 was issued, and ended seventeen years thereafter on October 21, 1947, when the patent expired—Conclusion No. 19. The Special Master was of the opinion that neither the 1927 contract, nor the exchange of letters in January, 1928, gave any indication that royalties were to be paid on mills sold prior to the issuance of Patent 195. The Court is in agreement with the Special Master on this issue. Cold Metal contends, however, that United, under the theory of "licensed use," has admitted liability in the course of litigation between the parties. In this Court's view, the issues here relate to the terms of a contract between the parties to the litigation. Various assertions have been made by each of the parties that the other made admissions on many phases of the litigation. An examination of the various references to purported admissions indicates that many of them were made during the course of argument or in writing briefs in an attempt to clarify a factual situation or interpret the law as counsel then understood it. It is not the view of this Court that the rulings of the Special Master have been based on admissions of fact or of liability by either party. Therefore, this Court finds that United has made no legal admission of liability to pay royalties on mills sold prior to the issuance of Patent 195.

One troublesome issue remains. As on all of the issues, the parties have divergent views on whether United is to be charged interest, and if so, when it should commence. The Special Master, upon a full dis-

cussion of the question, directs that interest be computed as of the date of filing his report. This date is May 28, 1954. The Special Master held that United's claim is for an unliquidated indebtedness, which requires the exercise of judicial function to determine the amount. Hence the allowance of interest is discretionary. *United States v. Bethlehem,* 113 F. 2d 301, citing Pennsylvania cases.

In Cold Metal's original bill of complaint, filed more than twenty years ago, the basis on which it brought this suit is plainly set forth in paragraph (g), as follows:

> "(g) That this Court finally settle and determine the scope of the said 1927 agreement, and determine or have determined by reference to arbitrators or a master or otherwise the amount due plaintiff to date thereunder, and determine the basis for payments to be made by defendant to plaintiff in the future under said 1927 agreement."

In the light of the foregoing, it therefore seems that Cold Metal's action is clearly one for unliquidated damages for a breach of contract and not a suit on a contract for a sum certain due thereunder. Section 337(b) of the Restatement of Contracts. This Court is not unmindful of the recent decision of the Court of Appeals in *Wilson v. Homestead Valve,* decided December 15, 1954, where interest was directed. In the exercise of its discretion, this Court approves the action of the Special Master in holding that Cold Metal is not entitled to an allowance of interest prior to the filing of the Master's report. Interest will be allowed Cold Metal on the sum of $387,650.00 at the legal rate of 6% from

May 28, 1954, which was the date the report of the Special Master was filed with the Clerk of this Court.

One final matter. Pursuant to agreement, each party paid one-half of the Special Master's compensation in advance, with the understanding that the Court was to determine how it was to be charged. The total payments amount to $28,000.00. In addition, the Master was reimbursed for the cost of printing his report in the amount of $738.92. The report was printed at the request of both parties. Under the special circumstances of this case, it seems fair and equitable to this Court that the compensation of the Special Master be borne equally by the parties hereto. By the same reasoning it is equitable that the costs of printing the Special Master's report be divided equally by the parties, as a Master's report is not usually required to be printed.

The report of J. Garfield Houston, Special Master, is by this Court adopted in all respects.

Appendix B.

ORIGINAL ORDER OF THE DISTRICT COURT, DATED JANUARY 19, 1955

AND NOW, this 19th day of January, 1955, after hearing and argument and upon consideration of the record and the briefs, the Findings of Fact of the Special Master are accepted by the Court, and the Conclusions of Law of the Special Master are held to be correct; and further, the report of the Special Master is by this Court adopted in all respects;

AND FURTHER, the Clerk is directed to enter judgment in favor of the plaintiffs, The Cold Metal Process Company and The Union National Bank of Youngstown, Ohio, Trustee, and against defendant, United Engineering & Foundry Company, in the sum of $387,650.00, with interest from May 28, 1954;

AND FURTHER, the compensation paid by the parties to J. Garfield Houston, Special Master, in the sum of $28,000.00, is believed to be reasonable under all the circumstances, and the same is approved; and as the said compensation has been advanced by the plaintiffs and the defendant in equal amounts, in accordance with an arrangement made by the parties, the same is approved, and it is the order of this Court that the compensation of the Master be charged against each party in equal amounts, and as the same has already been advanced, no part thereof should be taxed as costs; and likewise, as the parties advanced the sum of $738.92, covering printing costs paid by the Master, said arrangement is also approved, and it is directed that the same be not taxed as costs.

s/ JOSEPH P. WILLSON
D. J.

Appendix B.

ORIGINAL ORDER OF THE COURT OF APREALS, DATED MARCH 21, 1955, DISMISSING UNITED'S FIRST APPEAL

No. 11,562

Present: MARIS, GOODRICH and KALODNER, Circuit Judges.

Upon consideration of the motion of the appellees to dismiss the appeal, and of the brief in support thereof; and of the appellant's brief in opposition; and after full hearing;

It is ORDERED that the above-entitled appeal be, and it is hereby dismissed, without prejudice to the right of the District Court, upon application of the appellant, to vacate its judgment entered in this cause on January 19, 1955 and to enter a final judgment therein in accordance with the provisions of Rule 54 (b) of the Federal Rules of Civil Procedure.

BY THE COURT,

MARIS
Circuit Judge

March 21, 1955

Appendix B.

AMENDED ORDER OF THE DISTRICT COURT, DATED MARCH 30, 1955

And Now, this 30th day of March, 1955, after hearing counsel for both parties on defendant's motion to vacate the order and judgment entered January 19, 1955, and to enter herein an amended order and final judgment in accordance with the provisions of Rule 54 (b) of the Federal Rules of Civil Procedure, and upon consideration thereof, the order and judgment heretofore entered on January 19, 1955, are hereby vacated; and this court hereby makes an express determination that there is no just reason for delay in entering an order and final judgment disposing of the issues raised by the Report of the Special Master, filed herein on May 28, 1954, in accordance with this court's opinion filed January 19, 1955; and this court hereby expressly directs the entry of a final judgment herein, as follows:

1. The findings of fact of the Special Master are accepted by the court, and the conclusions of law of the Special Master are held to be correct; and further, the report of the Special Master is by this court adopted in all respects.

2. The Clerk is directed to enter final judgment in favor of the plaintiffs, The Cold Metal Process Company and The Union National Bank of Youngstown, Ohio, Trustee, and against defendant, United Engineering & Foundry Company, in the sum of $387,650.00, with interest from May 28, 1954.

3. The compensation paid by the parties to J. Garfield Houston, Special Master, in the sum of $28,000.00, is believed to be reasonable under all the circumstances,

and the same is approved; and as the said compensation has been advanced by the plaintiffs and the defendant in equal amounts, in accordance with an arrangement made by the parties, the same is approved, and it is the order of this Court that the compensation of the Master be charged against each party in equal amounts, and as the same has already been advanced, no part thereof should be taxed as costs; and likewise, as the parties advanced the sum of $738.92, covering printing costs paid by the Master, said arrangement is also approved, and it is directed that the same be not taxed as costs.

s/ JOSEPH P. WILLSON
District Judge

ORDER

And now this 31st day of March, 1955, the parties hereto having been heard, and it appearing to the court that defendant, United, is abundantly able to satisfy the said judgment if it is affirmed, the court orders that enforcement of the judgment, entered herein on March 30, 1955, be stayed pending appeal.

s/ JOSEPH P. WILLSON
United States District Judge

Appendix B.

OPINION OF THE COURT OF APPEALS, DATED APRIL 21, 1955

No. 11,582

Argued April 18, 1955
Before GOODRICH, McLAUGHLIN and STALEY,
Circuit Judges.

Opinion Sur Motion to Dismiss Appeal.

(Filed April 21, 1955)

PER CURIAM

The appellee in this case has filed a motion to dismiss the appeal of United Engineering & Foundry Company on the ground that the judgment appealed from is not final. A similar motion was made on March 21, 1955, which was granted. The order granting the motion was made "without prejudice to the right of the District Court * * * to enter a final judgment therein in accordance with the provisions of Rule 54 (b) of the Federal Rules of Civil Procedure."

Following this order United presented to the United States District Court for the Western District of Pennsylvania a motion to vacate its judgment of January 19, 1955, and to enter judgment in accordance with Rule 54 (b). This was done by the district court on March 30, 1955, after argument in open court. We think the determination made under the circumstances of this case is the very kind of thing Rule 54 (b) was written to provide for. We see no violation of discretion on the part of the district judge in entering it.

The motion of the appellee to dismiss will, therefore, be denied.

A true Copy:

Teste:

Clerk of the United States Court of Appeals for the Third Circuit.

ORDER OF THE COURT OF APPEALS, DATED APRIL 21, 1955, DENYING PETITIONERS' MOTION TO DISMISS

Present GOODRICH, McLAUGHLIN and STALEY, *Circuit Judges.*

It is ORDERED that the motion by appellee to dismiss the appeal in the above-entitled case be, and it is hereby denied.

Attest:

IDA O. CRESKOFF
Clerk

April 21, 1955
